

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 EB-11 AID-20 COME-00 TRSE-00 OMB-01

NIC-01 SAJ-01 SAM-01 XMB-07 DRC-01 /157 W

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R 010440Z APR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1563

INFO AMEMBASSY MOSCOW

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

C O N F I D E N T I A L JAKARTA 3957

E.O. 11652: GDS

TAGS: EAID, UR, ID

SUBJ: SOVIET-INDONESIAN RELATIONS AND THE RECENT

TRADE AGREEMENT

REF: A) STATE 061309 B) JAKARTA 3774

1. SUMMARY: MARCH 28 SOVIET DCM KLIMENKO TOLD POLITICAL COUNSELOR THAT SOVIET EMBASSY JAKARTA CONSIDERED RECENT VISIT OF VICE-MINISTER OF FOREIGN TRADE GRISHIN AND THE TRADE AGREEMENT HE SIGNED AS SMALL STEPS FORWARD TOWARDS IMPROVED SOVIET-INDONESIAN RELATIONS BUT CERTAINLY NO SIGNIFICANT BREAKTHROUGH EITHER ECONOMICALLY OR POLITICALLY. THE SOVIETS BELIEVE THEY WILL LEARN MORE ABOUT INDONESIAN INTENTIONS WHEN A TOP INDONESIAN ECONOMIC FIGURE VISITS MOSCOW IN MAY, BUT THEY HAVE NO ILLUSIONS ABOUT THE PROSPECTS FOR INCREASED TRADE OR IMPROVED RELATIONS. END OF SUMMARY

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2. KLIMENKO MADE FOLLOWING OBSERVATIONS ON GRISHIN

VISIT:

A. ALTHOUGH GOI GAVE GRISHIN EXCELLENT PROTOCOL  
TREATMENT AND ARRANGED FOR HIM TO MEET WITH SIX GOI  
MINISTERS, THERE WAS NO SERIOUS SUBSTANTIVE CONVERSATION.

B. SOVIETS "DETECTED NO REAL WILLINGNESS ON PART  
OF INDONESIANS TO OPEN TO OPEN GATES TO MORE NORMAL RELATIONS."

C. "INDONESIANS KNOW FULL WELL THAT SOCIALIST  
CAMP CANNOT COMPETE WITH IGGI COUNTRIES, AND ESPECIALLY  
WITH USA OR JAPAN, ON CONCESSIONAL FINANCING, YET THEY  
PRESSED FOR THIS. WE HAVE NEITHER THE MEANS NOR THE  
DESIRE TO STIMULATE TRADE BY SUCH CONCESSIONAL FINANCING."

D. SOVIETS ARE PURSUING LIMITED OBJECTIVES, SEEKING  
TO ENGAGE IN SUCH LIMITED TRADE AS POSSIBLE, SUCH AS  
RECENT SALE OF A ONE MILLION DOLLAR TEXTILE PLANT,  
BUT THEY WANT IT TO DEVELOP NORMALLY WITH SOVIET EXPERTS  
PERMITTED TO ASSIST IN INSTALLATION OF MAJOR CAPITAL  
PLANTS. GOI WOULD NOT AGREE TO SOVIET EXPERTS COMING  
TO INDONESIA TO ASSIST IN INSTALLATION AND START-UP.

E. INDONESIAN PRESS GAVE FRIENDLY, WELL-DOCUMENTED  
COVERAGE TO VISIT AND TO WHOLE SUBJECT OF SOVIET-  
INDONESIAN TRADE, BUT IN DOING SO PRESS (PARTICULARLY  
"INDONESIAN OBSERVER" AND "NEW STANDARD") SIMPLY PRINTED  
MATERIAL SUPPLIED BY SOVIET PRESS ATTACHE.

F. SOVIETS CONCLUDE INDONESIAN SIGNED TRADE  
AGREEMENT MAINLY TO OPEN NEW OPTIONS AND CREATE PRESSURES  
ON IGGI DONORS JUST AT TIME THERE IS CONSIDERABLE ANXIETY  
IN INDONESIAN MINDS ABOUT THEIR FUTURE AID PROSPECTS. IF  
ALL GOES WELL BETWEEN INDONESIAN AND IGGI DONORS, THERE  
WILL BE NO SIGNIFICANT INCREASE IN TRADE WITH SOVIET UNION.  
"SINCE WE HAVE A PLANNED ECONOMY, WE WOULD BE LEFT HOLDING  
THE BAG IF WE PROGRAMMED PRODUCTION FOR AND SALES TO  
INDONESIA."

G. FURTHER, SOVIETS BELIEVE DEVELOPMENT OF THEIR  
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TRADE WITH INDONESIA DEPENDS ALSO ON POLITICAL RELATIONS  
BETWEEN INDONESIA AND CAPITALIST TRADING PARTNERS. IF  
INDONESIAN POLITICAL RELATIONS WITH CAPITALIST COUNTRIES  
BEGIN TO WORSEN OR IF INDONESIANS FEEL NEGLECTED OR  
SCOLDDED, THEY CAN EVOKE POSSIBILITY OF INCREASING THEIR  
TRADE WITH SOVIETS.

H. WHETHER OR NOT ANYTHING COMES OF RECENTLY

SIGNED TRADE AGREEMENT DEPENDS ON DESIRES OF INDONESIANS,  
ON HOW THEY WANT TO PLAY IT.

I. SOVIETS ARE COUNTING ON MAY VISIT TO SOVIET UNION  
BY DR. ARIFIN, DIRECTOR-GENERAL FOR INTERNATIONAL  
TRADE RELATIONS IN FOREIGN DEPARTMENT, TO GET DOWN TO  
CASES AND PREPARE A DRAFT PROTOCOL FOR 1975 TRADE.  
THIS WILL BE THE TEST. IF INDONESIANS SIGN A NEW  
AGREEMENT WITH "NORMAL" PROVISION FOR "BALANCED"  
TRADE (BARTER), FIXED QUANTITIES, PRICES, AND DELIVERY  
SCHEMES, THAT WILL BE SIGNIFICANT.

3. ON BALANCE, KLIMENKO DOES NOT THINK ANYTHING WILL  
COME OF RECENT AGREEMENT AND SUSPECTS INDONESIANS MAY  
BE "USING IT AS A GAME AGAINST THE AMERICANS."

4. MARCH 29 SOVIET TRADE REPRESENTATIVE KARPOV DID  
NOT CHARACTERIZE AGREEMENT IN POLITICAL TERMS BUT  
SAID THAT EVEN IN THE PRESENT CLIMATE OF HOSTILITY,  
THERE WERE CERTAIN THINGS SOVIETS COULD SELL INDONESIA,  
LIKE TEXTILE PLANT AND SPARE PARTS. KARPOV CLAIMS  
INDONESIANS REFUSE TO BUY SOVIET SPARES AND PAY HIGHER  
PRICES FOR LESS SATISFACTORY SUBSTITUTES FROM OTHER  
COUNTRIES.

5. COMMENT: WE QUESTION KLIMENKO'S VIEW THAT INDONESIANS  
SIGNED TRADE AGREEMENT TO BRING PRESSURE ON IGGI DONORS.  
WE WOULD ATTRIBUTE SIGNATURE RATHER TO INDONESIAN  
DESIRE TO CREATE A MORE NON-ALIGNED POSTURE IN THEIR  
FOREIGN ECONOMIC RELATIONS. IGGI DONORS HAVE ON VARIOUS  
OCCASIONS IN PAST MADE CLEAR TO INDONESIANS THAT  
THERE WOULD BE NO IGGI OBJECTION TO INDONESIA TRADING  
WITH SOVIETS OR GETTING AID FROM SOVIETS.

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## Message Attributes

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